

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

AUGUST 25, 1919

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For the moment matters seem to be in a more reassuring state. The labor crisis, which was giving general alarm a fortnight ago, appears to have passed. The traction strike in Chicago, unable to make headway against popular indifference, was abandoned for a 65 to 67 cents per hour compromise. The strike at the Stock Yards, which looked most menacing for a day or two, was averted by withdrawing armed guards. The racial quarrels, under stern suppression, died out and have been followed by rather good-humored tolerance on both sides.

With the Chicago building trades lockout virtually in full force, all construction is held up and a discouraged feeling exists in all lines of business allied with the building industry.

The one dark cloud now visible overhangs the steel and iron industry. Upwards of 18,000 steel workers at South Chicago cast their ballot in favor of a walkout. In view of the great difficulty now attending foreign trade operations, any interruption in the operation of steel plants would be of more than ordinary moment. Strikes have taken place at Peoria and some of the smaller cities. Efforts have been fairly successful to cause labor to assume a more contented attitude and co-operate in increasing production.

The Presidents' Clever "Coups"

President Wilson's clever application of primary school logic to the spectacular threats of the railway employees, leading to the collapse of the railway shopworkers' strike, had a most salutary effect.

All these things taken in conjunction with the vigorous federal campaign against food profiteers, with nationwide libel seizures of hoarded food supplied by the Government, have effected a summary and surprising improvement in the popular frame of mind.

Labor Must Be More Faithful

A very large part of the answers to our current questionnaire, covering the Seventh Federal Reserve District and including all the great branches of industry, make particular complaint about the decreased efficiency of workers, not merely because of shorter hours, but because of the marked letting down of interest in work and a growing desire to live for amusement, self-indulgence and luxury. The matter is thus summarized by one of the great mercantile leaders;

"Merchants are buying in large quantities and are more anxious about delivery of goods than they are as to price. The constant rise in wages is sending goods up in price and that in turn is raising wages. I see no solution of the problem except to increase production and decrease consumption. The workers cannot get the goods they want if they do not make them in sufficient quantities; and when they work for eight hours only, and sometimes only five days a week at that, they cannot expect to find all the goods they want in the retail stores when they go to make their purchases . . . The President, Governors and interested people should urge upon the workers of this country the necessity of working longer hours for the next six months, in order to bring up production for the needs of the people of this country and of the world. Nothing else will do it."

Another Says:

"Many workers spend their time at the movies and their minds seem to be on airships and automobiles more than on their day's work. This causes lack of production and, following the natural law of supply and demand, the prices of commodities move upward."

An Analysis of Textile Prices

Men of long experience in cotton textiles believe that the present price level is more artificial and forced than ever. They are refusing, therefore, to "follow up" advances or to buy "futures" in staple lines as they did at the beginning of the rise. An expert of twenty-seven years in broad-loom production and distribution thus analyses the existing situation:

"In March this year, for example, four yard plain bed covers were quoted at 44 cents. Cotton stood at 22 cents at that time and cost of production "over cotton" was about 22 cents. The price, therefore, represented approximate cost of production. In that case I was justified in buying freely. Today that identical piece of goods is quoted me at 80 cents. Cotton is 31.50 cents and the "over cotton" element, therefore, is 48½ cents. Mean-time labor has come to a 44-hour week and wage readjustments have been made that total a 20 per cent increase in the "over cotton" cost. Therefore, I am confident that 80 cents is an artificial price—not justified by the actual cost elements and not tenable. Hence I decline to make long commitments at that price, and I decline to advise my customers to buy ahead of immediate needs in that particular line. I feel sure that even if the textile market does not "break" much it cannot advance much from a level which is unsound, judged by the known factors of labor, efficiency, wages, time and raw material costs."

Seeking Cause for High Prices

The tendency of a few weeks ago to charge the higher cost of living and materials up to "inflation"—by which was generally meant currency inflation—has given way to a more thoughtful consideration of the subject. The statement issued by the Federal Reserve Board that there had been no unnecessary inflation in the currency has brought out a considerable amount of favorable comment.

In the rather widespread agitation for lower living costs there seems to be a general disposition to overlook one of the fundamental causes of high prices the world over. Necessarily the withdrawal of between 30,000,000 and 35,000,000 men from the various productive lines in the world's industry shifted the burden of provisioning these men to those remaining in productive lines. So great were the requirements, however, that the speeding up of production was not equal to the task, and consequently heavy inroads were made in the reserves of foodstuffs and other essentials. In some instances reserves were so depleted that the world's requirements today are actually greater than the supply.

Availability of such reserves as exist is also a big factor entering into costs, as the law of supply and demand which was temporarily thrown out of balance comes back into free operation.

Foreign Exchange Situation a Factor

The movements of international exchanges, showing a premium for dollar exchange and heavy discounts for pound sterling, francs, lire and other European exchanges, are beginning to impress upon the western manufacturer that something is necessary other than producing goods for sale. Adversity sometimes works to the advantage of the depressed by stimulating thrift and forcing production.

Mad Demand For All Luxuries

Business, according to all reports, is going forward on "high gear." Jobbers cannot get goods fast enough to supply their retailers and store shelves are sadly depleted. There, however, is a noticeable increase in the tendency to "wait awhile before buying." This is noted in shoes and clothing especially; but it is not noted in luxury lines. Piano and musical instrument makers report the demand at a premium of 45 to 55 per cent over production. The heavy buying is in the farming regions. But for labor and material shortage business would be enormous. The same is true of watches, jewelry and other luxury classes. Pearls are very scarce and high, therefore the demand is insatiable at the advanced prices. Diamonds are in the famine class; there is a real scarcity of the "first waters" and "cuttings." Advanced prices make no difference. Silk hosiery and silk shirts are selling at prices so high that even the jobbers are stupefied by the demand. All classes of workers insist on costly and elegant apparel regardless of wearing quality and are reckless of prices.

Mercantile stocks are admittedly very low. This is partly due to the efforts of jobbers to protect their customers against possible "slumps," partly due to the shortage of freight cars and partly to the desire of the people to spend their money as fast as possible. Retail conditions are described as healthy, but there is complaint on account of the large amount of money needed to do business.

Lower Wool Prices Expected

The wool market is distinctly nervous and lower prices are predicted by men old in the trade. Leathers are in a strong position. Government stocks realized great advances over cost and the public has been educated to a new scale of shoe prices. Nevertheless, some leather men find in the disjointed foreign exchange a factor tending to curtail export and thereby steady prices.

Fuel Outlook Disquieting

Coal production is much reduced on account of labor unrest, the habit of taking frequent holidays and the dearth of cars for loading. Illinois mines are practically on a half time basis and the prospects for next winter are not reassuring.

Optimism in Steel and Iron

Steel and iron shows a much better feeling since the Railroad Administration began buying for maintenance account. This demand is rated a real factor in the market as a basis for a better sentiment. An important item especially pleasing to the steel trade is that the Orient is offering a considerable volume of business. Foundry demand for pig iron is increasing and bookings beyond January are made reluctantly by most furnaces. The weak spot in steel is the aloofness of structural buying, due to the excessive costs of labor and other material, notably glass. A large volume of building has been held up by the labor problem, but for all that the housing requirements of the district are imperative and much construction is reported.

Land Activity is Spreading

Reports continue of increased activity in the transfer of land and the rise in acre values from all parts of the district. In Iowa and in some parts of Illinois, where this movement manifested itself first, values are now so high and available farms so scarce that the buying and selling of farm lands has given way to speculation by means of "optioning". Instances are cited where farms have changed hands seven times in a few months. The ease by which "options" can be transferred seems to facilitate the movement and stimulates the upward course of prices. It also involves an element of "paper profits" which, should they not be realized, may prove somewhat embarrassing later on.

Crop Estimates for the Seventh Federal Reserve District

Government estimates on the principle crops in the States of Illinois, Indiana, Iowa, Michigan and Wisconsin, excluding the counties in the southern part of Illinois and in the southern part of Indiana which are in District No. 8, the counties in the northern part of Michigan and in the northern part of Wisconsin which are in District No. 9, show:

Crop	Acreage 1919	Forecast of Production Based on Condition August 1, 1919	Acreage 1918	Production 1918
	Acres	Bushels	Acres	Bushels
Corn	24,178,000	843,122,000	35,346,000	895,188,000
Winter Wheat	5,166,000	86,287,000	3,766,000	74,585,000
Oats	14,118,000	453,249,000	14,923,000	640,005,000
		Tons		Tons
Hay (all)	12,618,000	18,841,000	11,735,000	16,344,000

Banks

Banking conditions are satisfactory in general, net deposits as reflected by selected member banks over the district increasing. There is a strong demand for money and this finds its reflection in a further expansion in the loan item. More than usual care, however, is being taken in the loans and discounts to guard against price and inventory hazards.

Chicago bank clearings for the first nineteen days of August (15 business days) aggregated \$1,533,500,000, an increase of \$272,400,000 compared with a year ago, while the exchanges at twenty-one leading clearing houses, outside of Chicago, for the first fifteen days of August aggregated \$447,997,700, an increase of \$117,351,200 compared with a year ago.

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT (000's omitted)

	Chicago			Detroit			Other		
	Jan. 3	July 11	Aug. 8	Jan. 3	July 11	Aug. 8	Jan. 3	July 11	Aug. 8
Loans—									
Secured by U. S. war obligations.....	\$61,160	\$76,399	\$72,822	\$ 8,720	\$12,517	\$12,795	\$13,420	\$15,608	\$14,564
All other loans and investments.....	846,008	895,200	916,422	244,085	281,407	297,514	280,939	293,074	307,119
Reserve Balance with Federal									
Reserve Banks.....	108,825	118,061	120,433	21,886	25,004	27,621	25,241	29,434	29,375
Cash in Vault.....	44,555	43,263	37,201	13,821	14,513	12,523	15,811	14,705	13,478
Deposits—									
Net demand.....	794,398	865,443	880,209	162,048	187,922	196,861	209,707	243,232	249,163
Time.....	149,859	166,357	167,851	155,896	175,580	175,887	89,211	97,800	99,567
Government.....	13,962	50,262	49,173	13,964	11,213	17,726	6,189	10,642	11,351
Bills Payable and Rediscounts—									
Collateral Notes.....	37,735	55,630	50,761	12,154	31,317	48,590	18,380	10,086	9,102
Bills Rediscounted.....	10,186	12,215	6,494	412	407	1,074	16,191	1,904	3,335

LIVE STOCK RECEIPTS AT CHICAGO COMPARED

Receipts of live stock at Chicago for the four weeks ended August 16, compared with the corresponding period of 1918, are as follows:

	Cattle	Calves	Hogs	Sheep
1919.....	235,997	39,299	400,868	408,357
1918.....	252,763	36,505	456,464	296,823
Increase.....	*16,786	2,794	*55,596	111,534

*Decrease

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO (000's omitted)

	Receipts				Shipments			
	1919	1918	1919	1918	1919	1918	1919	1918
Flour, barrels.....	747	487	606	397	501	280	340	259
Wheat, bushels.....	856	126	9,375	6,596	1,040	211	1,292	1,405
Corn, bushels.....	8,077	7,656	4,887	10,007	2,225	2,370	2,316	3,051
Oats, bushels.....	10,113	8,208	11,012	13,521	6,211	3,162	6,443	8,099
Cured Meats, pounds.....	16,764	29,835	19,463	30,256	118,564	80,988	96,487	94,646
Fresh Meats, pounds.....	125,734	96,826	101,634	116,330	256,126	107,112	177,395	142,084
Lard, pounds.....	23,355	9,753	24,505	12,776	58,736	12,660	55,215	22,883
Cheese, pounds.....	22,807	17,411	22,328	19,997	16,186	5,598	29,875	6,295
Butter, pounds.....	46,331	36,173	41,523	34,554	33,700	20,519	41,919	21,311
Eggs, cases.....	1,080	732	622	563	243	215	286	295
Hides, pounds.....	18,420	14,883	18,263	12,683	16,021	14,088	13,897	16,279
Lumber, thousand feet.....	184	230	200	243	80	111	90	98
Potatoes, bushels.....	1,191	935	563	454	454	314	399	258

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

City	July, 1919—		July, 1918—		Per Cent. Gain	Per Cent. Loss
	No. of Buildings	Estimated Cost	No. of Buildings	Estimated Cost		
Cedar Rapids, Iowa.....	86	\$ 424,000	22	\$ 141,000	200	.....
Chicago, Ill.....	606	7,714,700	292	4,885,600	57	.....
Davenport, Iowa.....	142	384,278	94	99,887	234	.....
Decatur, Ill.....	63	239,675	26	76,335	213	.....
Des Moines, Iowa.....	140	698,350	61	602,858	15	.....
Detroit, Mich.....	2,465	8,079,965	836	2,332,380	246	.....
Dubuque, Iowa.....	22	168,394	6	6,720	2405	.....
Grand Rapids, Mich.....	189	285,418	132	109,692	160	.....
Indianapolis, Ind.....	734	1,746,357	483	651,808	167	.....
Jackson, Mich.....	79	320,294	33	19,225	1566	.....
Lansing, Mich.....	179	349,975	14	5,150	6695	.....
Milwaukee, Wis.....	523	1,309,705	233	516,532	153	.....
Peoria, Ill.....	52	260,900	29	55,055	373	.....
Saginaw, Mich.....	220	270,837	69	98,798	174	.....
Sioux City, Iowa.....	118	1,372,275	35	139,150	886	.....
South Bend, Ind.....	107	310,850	218	251,387	23	.....
Springfield, Ill.....	89	271,905	47	48,295	463	.....
Terre Haute, Ind.....	65	70,450	67	56,752	24	.....

COMPARATIVE STATISTICS OF BUILDING AND ENGINEERING OPERATIONS

Contracts awarded in States north of the Ohio and east of the Missouri Rivers, from January 1 to August 1, 1919.

1919.....	\$1,298,228,000	1916.....	\$711,005,246	1913.....	\$545,067,500
1918.....	1,064,688,000	1915.....	508,233,600	1912.....	482,577,500
1917.....	990,602,000	1914.....	454,579,300	1911.....	477,227,313

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also Northern Missouri and Eastern Kansas.

1919.....	\$497,991,000	1916.....	\$255,752,746	1913.....	\$121,421,000
1918.....	237,835,000	1915.....	156,402,600	1912.....	70,896,003
1917.....	398,066,000	1914.....	129,097,300	1911.....	88,484,310

NOTE—Building and Construction statistics compiled by the W. F. Dodge Company.